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BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
MIDAMERICAN ENERGY COMPANY,)
) No. 01-0696
Proposed general increase in)
gas rates (Tariffs filed on)
October 19, 2001.),)
Chicago, Illinois
May 22, 2002

Met pursuant to notice at 10:00 a.m.

BEFORE:
LESLIE HAYNES, Administrative Law Judge.
APPEARANCES:

MS. KAREN M. HUIZENGA
106 East Second Street
Davenport, Iowa 52801
Appearing for MidAmerican;

MR. ROBERT KELTER, and MS. JULIE LUCAS
208 South LaSalle Street, Suite 1760
Chicago, Illinois 60604
Appearing for the Citizens Utility Board;

MR. JOHN REICHART, and MR. ANDREW HUCKMAN
160 North LaSalle Street, Suite C-800
Chicago, Illinois 60601
Appearing for Staff of the ICC.

SULLIVAN REPORTING COMPANY, by
Steven T. Stefanik, CSR

1		<u>I</u>	<u>N</u>	<u>D</u>	<u>E</u>	<u>X</u>			
2	<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>	<u>Re-</u>	<u>Re-</u>	<u>By</u>			
3	RICK TUNNING	84	89	<u>direct</u>	<u>cross</u>	<u>Examiner</u>			
4	DAVID BORDEN	107	110				128		
5	BRIAN ROSS	131	138						
6	CHARLES REA	143	146						
7	GREGORY SCHAEFER	157	160						
8			163						
9	MICHAEL LUTH	172	177				187		
10		<u>E</u>	<u>X</u>	<u>H</u>	<u>I</u>	<u>B</u>	<u>I</u>	<u>T</u>	<u>S</u>
11	<u>Number</u>	<u>For Identification</u>				<u>In Evidence</u>			
12	MEC								
13	No. 1 - 20	80							
14	Nos. 1 - 7					84			
15	Nos. 10 - 12					84			
16	Nos. 7, 14, 18					87			
17	Nos. 8, 15, 19					146			
18	Nos. 9, 9-R, 16, 20					160			
19	Staff								
20	Cross No. 1	95				105			
21	Cross No. 2	100				105			
22	Cross No. 3	148				157			
	Nos. 6, 10	106				109			
	Nos. 5, 9, 12	172				177			
	CUB								
	Nos. 1, 2	131				138			
	Cross No. 1	155				156			

1 (Whereupon, MidAmerican
2 Exhibit Nos. 1 through 20 were
3 marked for identification
4 as of this date.)

5 JUDGE HAYNES: Pursuant to the direction of the
6 Illinois Commerce Commission, I now call Docket
7 01-0696, MidAmerican Energy Company, proposed
8 general increase in gas rates. Tariffs filed on
9 October 19th, 2001.

10 May I have the appearances for the
11 record, please.

12 MS. HUIZENGA: Karen M. Huizenga appearing on
13 behalf of MidAmerican Energy Company, 106 East
14 Second Street, Davenport, Iowa 52801.

15 Also appearing for MidAmerican, I would
16 like to enter the appearance of the Susan M.
17 Stewart.

18 MR. REICHART: Appearing on behalf of the Staff
19 of the Illinois Commerce Commission, John Reichart
20 and Andrew Huckman, 160 North LaSalle, Chicago,
21 Illinois.

22 MR. KELTER: Appearing on behalf of the

1 Citizens Utility Board, Robert Kelter and Julie
2 Lucas, 208 South LaSalle, Suite 1760, Chicago
3 60604.

4 JUDGE HAYNES: Okay. We had a brief discussion
5 about the outline, and, apparently, Staff has made
6 a slight organizational change and they'll be
7 distributing that to the parties and that will be
8 the outline to be followed for the briefs.

9 And other than that, I guess our first
10 witness today is company witness Tunning.

11 MS. HUIZENGA: Can we do the affidavit ones
12 first?

13 JUDGE HAYNES: Sure. Go ahead.

14 MS. HUIZENGA: Okay. Great.

15 Via affidavit, we have witness Mary Jo
16 Anderson, which is MidAmerican Exhibit No. 1,
17 direct testimony of Mary Jo Anderson consisting of
18 three pages. Plus Exhibit 1.1, Schedules 1 through
19 3 consisting of three pages.

20 We have MidAmerican Exhibit 2.0, the
21 direct testimony of James M. Behrens consisting of
22 six pages with Exhibit 2.1, which are Schedules 1

1 through 5 consisting of 30 pages. Then
2 Exhibit 10.0, the rebuttal testimony of James
3 Behrens, consisting 2 pages with Exhibit 10.1 which
4 is Schedule 1, one page.

5 MidAmerican Exhibit No. 3.0 is the
6 direct testimony of Gene M. Callaghan, which is
7 four pages. Attached is Exhibit 3.1 which is
8 Schedule 1, one page.

9 MidAmerican 4.0 is the direct testimony
10 of Edward A. Dreesman, which is 14 pages. Attached
11 is Exhibit 4.1 which is 38 pages.

12 MidAmerican 11.0 is the rebuttal
13 testimony of Edward A. Dreesman, which is four
14 pages.

15 MidAmerican Exhibit 5.0 is the direct
16 testimony of Dr. Roger A. Morin, M-o-r-i-n, which
17 is 33 pages; has Appendix A of eight pages,
18 Exhibit 5.1 of 18 pages, Exhibit 5.2 of one page,
19 Exhibit 5.3 of three pages, Exhibit 5.4 of two
20 pages.

21 MidAmerican Exhibit 12.0 is the rebuttal
22 testimony of Dr. Morin which is two pages.

1 MidAmerican Exhibit No. 6.0 is the
2 direct testimony of Todd M Raba, R-a-b-a, which is
3 five pages. Attached is Exhibit 6.1, one page.
4 MidAmerican Exhibit 7.0, is the direct -- well, no.
5 I think that's it. I'm sorry. That's all.

6 MidAmerican moves the admission of the
7 above exhibits.

8 JUDGE HAYNES: And these are as filed on
9 E-Docket?

10 MS. HUIZENGA: All of these are filed on
11 E-Docket.

12 JUDGE HAYNES: And there's no changes?

13 MS. HUIZENGA: And there's no changes.

14 JUDGE HAYNES: Is there any objection to the
15 admittance of these exhibits?

16 MS. LUCAS: I don't think so.

17 MR. REICHART: Just to clarify, the exhibit
18 designation is the same on E-Docket as well?

19 MS. HUIZENGA: They will be.

20 JUDGE HAYNES: Okay. I don't believe they're
21 numbered on E-Docket.

22 MS. HUIZENGA: No, but they will be.

1 JUDGE HAYNES: The exhibits as previously filed
2 on E-Docket are admitted.

3 (Whereupon, MidAmerican
4 Exhibit Nos. 1, 2, 3, 4, 5, 6, 7,
5 10, 11 and 12 were
6 admitted into evidence as
7 of this date.)

8 MS. HUIZENGA: All right. MidAmerican Energy
9 calls Mr. Tunning.

10 JUDGE HAYNES: Please raise your right hand.
11 (Witness sworn.)

12 JUDGE HAYNES: Thank you.

13 RICK TUNNING,
14 called as a witness herein, having been first duly
15 sworn, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY

18 MS. HUIZENGA:

19 Q. Please state your name and business address
20 for the record.

21 A. Rick R. Tunning, 666 Grand Avenue,
22 Des Moines, Iowa 50309.

1 **Q.** Mr. Tunning, by whom are you employed and
2 in what position?

3 **A.** MidAmerican Energy Company. I'm manager of
4 financial reporting.

5 **Q.** Do you have before you a copy of a 12-page
6 document MidAmerican Exhibit No. 7, the direct
7 testimony of Rick R. Tunning?

8 **A.** Yes, I do.

9 **Q.** Okay. Attached to it is MidAmerican
10 Exhibit 7.1 of three pages, MidAmerican Exhibit
11 7.2, Schedules 1 through 22, 26 pages; and Exhibit
12 7.3, one page?

13 **A.** Yes.

14 **Q.** Do you also have in front of you Exhibit
15 14 -- MidAmerican 14.0, which is the rebuttal
16 testimony of Mr. Tunning, four pages, with Exhibit
17 14.1 which are Schedules 1 through 9, nine pages?

18 **A.** Yes.

19 **Q.** Do you also have in front of you
20 MidAmerican Exhibit 18.0, which is the surrebuttal
21 testimony of Rick R. Tunning, which is five pages?

22 **A.** Yes.

1 **Q.** Okay. Are these the testimonies and
2 exhibits prepared by you for this proceeding?

3 **A.** Yes, they are.

4 **Q.** Do you have any additions or corrections to
5 these exhibits?

6 **A.** No, I do not.

7 **Q.** Are the testimony and exhibits true and
8 correct, to the best of your knowledge and belief?

9 **A.** Yes, they are.

10 **Q.** If I ask you these questions today, would
11 your answers under oath be the same?

12 **A.** Yes, they would.

13 MS. HUIZENGA: MidAmerican moves the admission
14 of MidAmerican Exhibits 7.0, 7.1, 7.2, 7.3, 14.0,
15 14.1, and 18.0.

16 JUDGE HAYNES: Is there any objection?

17 MR. REICHART: No objection.

18 MS. LUCAS: No.

19 JUDGE HAYNES: And are these filed on E-Docket?

20 MS. HUIZENGA: Yes, they are.

21 JUDGE HAYNES: MidAmerican Exhibits 7.0, 7.1,
22 7.2, 7.3, 14.0, 14.1 and 18.0 as previously filed

1 on E-Docket are admitted.

2 (Whereupon, MidAmerican
3 Exhibit Nos. 7, 14 and 18 were
4 admitted into evidence as
5 of this date.)

6 MS. HUIZENGA: MidAmerican offers the witness
7 for cross-examination.

8 MR. REICHART: Staff has cross.

9 Judge, before we go on to the cross,
10 could we just -- I think we could eliminate some
11 paperwork if we could just for the record indicate
12 the Company intends to file the work papers.

13 MS. HUIZENGA: Yes.

14 MR. REICHART: The Company -- oh, okay. That
15 will eliminate some cross exhibits.

16 MS. HUIZENGA: MidAmerican would like to as a
17 late exhibit offer the work papers from its
18 witnesses here today as a late-filed exhibit.

19 MR. KELTER: Excuse me. When you say the work
20 papers for all of its exhibits, like Tunning's are
21 already marked, I think, RRT-2.

22 So are you going to mark each witness's

1 work papers individually? I think you have to.

2 MS. HUIZENGA: Okay.

3 JUDGE HAYNES: So we're talking about the work
4 papers for every witness?

5 MS. HUIZENGA: Which witnesses?

6 MR. REICHART: Tunning work papers are the one
7 Staff is most interested in. I don't know if CUB
8 had --

9 MR. KELTER: We had an exhibit that was already
10 marked CUB Cross Exhibit 1 just -- a part of
11 Witness Rea's work papers.

12 MS. HUIZENGA: Well, why we do Tunning's and
13 Rea's, and we will -- we'll have to mark them, I
14 assume, as --

15 JUDGE HAYNES: We can go off the record.
16 (Discussion off the record.)

17 JUDGE HAYNES: Okay. So RT-1 is the way --

18 MR. REICHART: RRT.

19 MS. HUIZENGA: 1 through --

20 MR. REICHART: I think they were alphabetized.
21 We're most interested in RRK.

22 MS. HUIZENGA: How are they work papers --

1 THE WITNESS: Pardon me?

2 JUDGE HAYNES: We can just have one late-filed

3 exhibit.

4 MS. HUIZENGA: Yeah, that's okay.

5 JUDGE HAYNES: And it's going to be RRT.

6 MS. HUIZENGA: Right. And we'll have a second

7 late-filed exhibit which will be --

8 JUDGE HAYNES: If they've already got it marked

9 as a cross exhibit, that's fine. We can do it that

10 way.

11 MS. HUIZENGA: Okay. All right. That's fine.

12 JUDGE HAYNES: So going to be the late-filed

13 exhibit of MidAmerican RRT.

14 MS. HUIZENGA: Right. That's good.

15 JUDGE HAYNES: Okay.

16 MS. HUIZENGA: Thank you.

17 CROSS EXAMINATION

18 BY

19 MR. REICHART:

20 Q. Good morning, Mr. Tunning.

21 A. Good morning.

22 Q. My name is John Reichart and I'm

1 representing Staff. I have a few questions for you
2 this morning.

3 I'd first like to refer you to Page 2 of
4 your surrebuttal testimony.

5 **A.** Okay.

6 **Q.** Okay. And here on Lines 35 through 37, you
7 state that Staff Witness Luth is adjusting the
8 revenue requirement that Staff Witness Hathhorn has
9 testified to for purposes of calculating individual
10 rate amounts; is that correct?

11 **A.** Yes.

12 **Q.** Now, did Ms. Hathhorn make any rate design
13 recommendations in her testimony that you're aware
14 of?

15 **A.** Not that I'm aware of.

16 **Q.** Okay. Now, I'd like to refer you to
17 Schedule 11.1 attached to Ms. Hathhorn's
18 supplemental rebuttal testimony.

19 Do you have that with you?

20 **A.** I think so. 11.1?

21 **Q.** That's correct.

22 **A.** Okay.

1 **Q.** Now, is the amount of Staff's recommended
2 tariff revenues \$19,037,000?

3 And I'm referring specifically to
4 Column I, Line 1.

5 **A.** Yes.

6 **Q.** Okay. I'd like to refer you to Mike Luth's
7 supplemental rebuttal testimony, specifically,
8 Page 7 of his attached Schedule No. 1?

9 **A.** Okay.

10 **Q.** Now, is the amount of Staff's recommended
11 revenue requirement shown to be \$19,037,000?

12 **A.** Oh, I'm sorry. I just have his
13 surrebuttal. I don't have his supplemental.

14 Okay. Yes. Yes, it is.

15 **Q.** Okay. And there's no significant
16 difference between the revenue requirement
17 presented by Staff Witness Hathhorn and the
18 combined total revenues recovered through base
19 rates and other revenues as determined by Mr. Luth;
20 is that correct?

21 **A.** In the 619,409 credit that he's subtracting
22 from that revenue requirement number, his

1 adjustment for the Cordova revenues are included in
2 that, I believe.

3 Q. But the -- referring to the column you just
4 mentioned, it's Column Net COS, if we added the net
5 revenue from base rates to the amount that he has
6 subtracted other operating revenues, the total of
7 those two numbers would equal the Staff revenue
8 requirement of \$19,037,000; correct?

9 A. That's correct, yes.

10 Q. Thank you.

11 I'd like to refer you back to your
12 surrebuttal testimony, Page 4.

13 A. Okay.

14 Q. Now, here on Lines 61 through 80, you
15 oppose Mr. Luth's increase in projected Cordova
16 Energy Center revenues, in part, because Mr. Luth
17 made the adjustment in his rebuttal testimony
18 rather than his direct testimony; is that correct?

19 A. Yes.

20 Q. Now, can I refer you to work paper RRT-K?

21 A. Okay.

22 Q. And just for the record, based on the

1 conversation that just took place, is it your
2 understanding that this document will be made part
3 of the record?

4 **A.** Yeah.

5 **Q.** Okay. On Page 1 of this work paper -- or
6 Page 1 of this work paper employs only one customer
7 charge of \$8,280 per month in projecting annual
8 revenues from Cordova Energy Center; is that
9 correct?

10 **A.** Yes, that's correct.

11 **Q.** Okay. I'd like to refer you to Page 2 of
12 this document now.

13 **A.** Okay.

14 **Q.** For the record, this is Page 2 of work
15 paper RRT/K. It's the original Sheet No. 9.05, a
16 tariff rate sheet that is unfiled with the
17 Commission; is that correct?

18 **A.** Yes.

19 **Q.** Okay. And on Page 2, this work paper shows
20 that two customer charges for Cordova, one for
21 \$8,280 and another for \$6,830 per month are
22 included; is that correct?

1 **A.** That's correct.

2 However, the second customer charge,
3 the -- Cordova's rights under that -- under that
4 paragraph can be terminated with a 12-month notice.

5 **Q.** Okay. In your direct testimony, did you
6 explain why your projection of Cordova revenues
7 included only one customer charge rather than the
8 contractual two customer charges?

9 **A.** I don't believe it did.

10 **Q.** I'd next like to refer you to a data
11 request in response. It's data request ML-28. Do
12 you have a copy of this?

13 MS. HUIZENGA: I think I did.

14 MR. REICHART: And I'd like to provide copies.

15 JUDGE HAYNES: Is this going to be a cross
16 exhibit?

17 MR. REICHART: Yes, we will be marking these as
18 cross exhibits.

19 Do we need three copies for the court
20 reporter or --

21 JUDGE HAYNES: Hm-hmm.

22

1 (Whereupon, Staff Cross
2 Exhibit No. 1 was
3 marked for identification
4 as of this date.)
5 BY MR. REICHART:
6 **Q.** Are you familiar with this document?
7 **A.** Yes.
8 **Q.** And is this, in fact, a response to a DR
9 that was sent to the Company that was originally
10 written by Staff Witness Luth?
11 **A.** Yes, it is.
12 **Q.** And under the title, Utility
13 Representative, indicating the individual of the
14 Company who's responded to this DR, your name
15 appears; is that correct?
16 **A.** That's correct.
17 **Q.** Now, in this DR, Mr. Luth asks why your
18 projection of Cordova revenues included only one
19 customer charge; is that correct?
20 **A.** Yes, that's correct.
21 **Q.** And Staff Data Request ML-28 was sent by
22 e-mail on March 11th, 2002; is that correct?

1 **A.** I will take that as being correct.

2 **Q.** March 11th was seven weeks before Staff
3 filed its rebuttal testimony which was filed on
4 April 30th, 2002; is that correct?

5 **A.** I'll take that as a fact, yes.

6 **Q.** And you replied to Staff Data Request ML-28
7 on April 3rd, 2002; is that correct?

8 **A.** That's correct.

9 **Q.** April 3rd is 27 days before Staff filed its
10 rebuttal testimony on April 30th, 2002; is that
11 correct?

12 **A.** Yes, I assume that's correct. Yes.

13 **Q.** Given the date of the issuance of the Staff
14 Data Request ML-28 and the date of the MEC reply to
15 Staff Data Request ML-28, you were aware of at
16 least the potential for Cordova revenues to be an
17 issue 27 days or seven weeks before Staff filed its
18 rebuttal testimony; is that correct?

19 **A.** Yes.

20 **Q.** Given the date of the issuance of Staff
21 Data Request ML-28 and the date of MEC -- the MEC
22 reply to Staff Data Request ML-28, you were aware

1 of the details behind your exclusion of the second
2 customer charge to Cordova in projecting Cordova
3 revenues 27 days or seven weeks before Staff filed
4 its rebuttal testimony; is that correct?

5 **A.** Yes.

6 **Q.** And you filed your rebuttal testimony in
7 this docket on April 4th, 2002; correct?

8 **A.** I believe so, yes.

9 **Q.** You, therefore, filed your rebuttal
10 testimony one day after your reply to Staff Data
11 Request ML-28 and more than three weeks after Staff
12 Data Request ML-28 was issued; is that correct?

13 **A.** Yes.

14 **Q.** Now, prior to filing direct testimony, were
15 you aware of your reason behind the exclusion of
16 the second customer charge in the Cordova -- to
17 Cordova in projecting Cordova revenues?

18 **A.** Say that again.

19 **Q.** Prior to filing your direct testimony, were
20 you aware of your reason behind the exclusion of
21 the second customer charge --

22 **A.** Yes.

1 **Q.** -- to Cordova?

2 **A.** Yes, I was.

3 **Q.** In rebuttal testimony, did any MEC

4 witnesses make any changes to their proposals in

5 direct testimony after reviewing the information

6 provided in responses to Staff data requests?

7 **A.** Not that I'm aware of.

8 MS. HUIZENGA: If you know.

9 THE WITNESS: I don't know that for a fact, but

10 I'm not aware of any.

11 BY MR. REICHART:

12 **Q.** Would you accept that company witness

13 Schaefer did, in fact, make changes to his

14 testimony based on --

15 **A.** I don't know for a fact whether Witness

16 Schaefer did or did not.

17 **Q.** I refer you back to your surrebuttal

18 testimony, Page 3 this time.

19 **A.** Okay.

20 **Q.** Lines 40 -- 49 through 58.

21 Here, you talk about your conceptual

22 disagreement with Staff Witness Luth's adjustment

1 to the Cordova revenues; is that correct?

2 **A.** Yes.

3 **Q.** And your conceptual disagreement with
4 Mr. Luth's adjustment is based upon Cordova's
5 option to cancel its rights to deliver gas to the
6 Natural Gas Pipeline Company of America primary
7 receipt point; is that correct?

8 **A.** Yes, that's correct.

9 **Q.** If Cordova exercised that option to cancel,
10 it would no longer be obligated to pay the \$6,830
11 monthly customer charge; is that correct?

12 **A.** Yes, that's correct.

13 **Q.** The test year in this docket is the year
14 ending December 31, 2000, adjusted for pro forma
15 changes; is that correct?

16 **A.** Yes, that's correct.

17 **Q.** Okay. I'd now like to refer you to the
18 second cross exhibit. This will be marked as ICC
19 Staff Cross Exhibit Tunning 2.

20

21

22

1 (Whereupon, Staff Cross
2 Exhibit No. 2 was
3 marked for identification
4 as of this date.)
5 BY MR. REICHART:
6 **Q.** Okay. And for the record, this is a
7 response to data request -- Staff Data Request
8 ML-29; is that correct?
9 **A.** Yes.
10 **Q.** And was this response prepared by you?
11 **A.** Yes.
12 **Q.** Now, this data request, ML-29, was issued
13 by e-mail on March 11th, 2002; is that correct?
14 **A.** I'll take that as a fact, yes.
15 **Q.** March 11th, 2002 is in fact the same issue
16 date for Staff Data Request ML-28; is that correct?
17 **A.** Yes.
18 **Q.** And you replied to Staff Data Request ML-29
19 on April 3rd, 2002; correct?
20 **A.** Yes.
21 **Q.** Which, again, is the same reply date as was
22 for the reply to ML-28; correct?

1 **A.** Yes.

2 **Q.** Did Cordova pay the second customer charge
3 of \$6,830 per month to MEC through the year
4 subsequent to the test year, specifically, through
5 the year 2001?

6 **A.** Yes, it did.

7 **Q.** And in fact, Cordova paid an increased
8 customer charge of \$7,000 per month to MEC
9 beginning in January 2002; correct?

10 **A.** Yes, in accordance with the contract.

11 **Q.** How many therms were delivered by MEC to
12 Cordova for consumption from December 2000 to
13 January 2002 as shown in the reply to Staff Data
14 Request ML-29?

15 **A.** I have a document in my briefcase that
16 would summarize that for me, but I don't -- I don't
17 believe -- there were very few -- very few volumes
18 delivered, if any, in that period of time from
19 NGPL, from the NGPL receipt point.

20 **Q.** Okay. Can you give the combined number of
21 therms?

22 **A.** The northern border and the NGPL receipt

1 point?

2 Q. Correct.

3 A. Again, I have a document that summarizes,
4 if I can step over and grab it.

5 Q. That's fine.

6 JUDGE HAYNES: Okay.

7 THE WITNESS: December 2000 through December
8 2001?

9 BY MR. REICHART:

10 Q. Through January, 2002.

11 A. Just -- it's just a little over 50 million
12 therms.

13 Q. Thank you.

14 How much did Cordova pay for delivery of
15 that gas in the form of customer charges and
16 distribution charges?

17 A. For the northern border receipt point, they
18 would have paid about \$117,000 for the customer
19 charge, about \$11,000 for the distribution charge;
20 for the NGPL receipt point, the customer charge
21 totals about -- about \$95,000; and the distribution
22 charge, about \$75.

1 **Q.** So would you agree, subject to check,
2 somewhere around \$223,000, approximately?

3 **A.** Yeah. Yes.

4 **Q.** Okay. And if we take that number,
5 \$223,000, divide -- and divide it by the
6 approximately 50 million therms, we get
7 approximately four-tenth's of one percent per
8 therm; is that correct?

9 **A.** Subject to check, yes.

10 **Q.** What was the sum of MEC's total billings to
11 Cordova from December 2000 through January 2002?

12 **A.** I think you just gave that to me. 200 --
13 was it 33,000?

14 **Q.** 223,000.

15 **A.** 223,000, subject to check.

16 **Q.** I'm sorry. I may not have asked my
17 question correctly.

18 What I'm interested in knowing is the
19 total billings for Cordova, including the Rider 7
20 and Rider 8 charges or credits.

21 **MS. HUIZENGA:** May I make an objection here.

22 Are you still asking off of the cross

1 Exhibit Tunning 2, if this is where he is --

2 MR. REICHART: Yes.

3 MS. HUIZENGA: -- you're requesting the

4 information come from?

5 Can you point him to a page on the cross

6 exhibit so we can find the information?

7 MR. REICHART: Yes. It would be the first --

8 first page of the cross exhibit.

9 MS. HUIZENGA: For clarification, the statement

10 of gas service?

11 MR. REICHART: Yes.

12 THE WITNESS: January 2002?

13 BY MR. REICHART:

14 Q. Right. And my question, basically, is, if

15 we look at the net bill due at the bottom of that

16 page --

17 A. Hm-hmm.

18 Q. -- I want to know the total billings not

19 only for this month, but for all months included

20 between December 2000 and January 2002.

21 I don't think there's a summation. We

22 can go through each page, but I could ask you if

1 you would agree, subject to check, that results in
2 a credit of 2.2 million dollars?

3 **A.** I don't know. I would have to check that,
4 but I don't know.

5 MR. REICHART: Okay. Thank you.

6 At this time, Staff would move for the
7 admission of ICC Cross Exhibits Tunning 1 and
8 Tunning 2.

9 JUDGE HAYNES: Any objection?

10 MS. HUIZENGA: No objection.

11 JUDGE HAYNES: Have you -- will you provide the
12 court reporter three copies?

13 MR. REICHART: Do that right now.

14 JUDGE HAYNES: Okay. They're admitted.

15 (Whereupon, Staff Cross
16 Exhibit Nos. 1 and 2 were
17 admitted into evidence as
18 of this date.)

19 MR. REICHART: That's all Staff has of this
20 witness.

21 JUDGE HAYNES: Do you have cross for this
22 witness?

1 MR. KELTER: We don't .

2 MS. HUIZENGA: May I take a moment with my

3 witness?

4 JUDGE HAYNES: Yeah.

5 (Recess taken.)

6 MS. HUIZENGA: MidAmerican has no redirect.

7 JUDGE HAYNES: Thank you.

8 Borden was next?

9 MR. HUCKMAN: Yes. At this time, the Staff of

10 the Illinois Commerce Commission calls Witness

11 David A. Borden.

12 JUDGE HAYNES: Please raise your right hand.

13 (Witness sworn.)

14 JUDGE HAYNES: Thank you.

15 (Whereupon, Staff

16 Exhibit Nos. 6 and 10 were

17 marked for identification

18 as of this date.)

19

20

21

22

1 DAVID A. BORDEN

2 called as a witness herein, having been first duly
3 sworn, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY

6 MR. HUCKMAN:

7 **Q.** Could you please state your name for the
8 record and spell your last name.

9 **A.** David A. Borden. Last name's spelled
10 B-o-r-d-e-n.

11 **Q.** By whom are you employed, Mr. Borden?

12 **A.** The Illinois Commerce Commission. I work
13 in the energy division.

14 **Q.** What is your exact position in the energy
15 division?

16 **A.** I'm a senior economist in the energy
17 division.

18 **Q.** Mr. Borden, you have before you two
19 documents.

20 The first of these documents consists of
21 a cover page, 20 pages of text in question and
22 answer form and this item is marked Illinois

1 Commerce Commission Staff Exhibit 6.0.

2 The second of these documents consists
3 of a cover page, table of contents, 12 pages of
4 text in question and answer form and this item is
5 marked Illinois Commerce Commission Staff Exhibit
6 10.0.

7 Were these two documents prepared by
8 you?

9 **A.** Yes, they were.

10 **Q.** And do these documents constitute
11 respectively your direct and rebuttal testimony in
12 this proceeding?

13 **A.** Yes.

14 **Q.** Are there any changes you would like to
15 make to either of these documents at this time?

16 **A.** No.

17 **Q.** If I were to ask you all the same questions
18 in these documents at this time, would your answers
19 be the same ones included in these documents?

20 **A.** Yes.

21 MR. HUCKMAN: I now submit Illinois Commerce
22 Commission Staff Exhibits 6.0 and 10.0 for

1 admittance into this proceeding's record and tender
2 Witness David A. Borden for cross-examination
3 regarding these exhibits, if any.

4 JUDGE HAYNES: Is there any objection to
5 admitting the documents?

6 MS. HUIZENGA: No objection here.

7 JUDGE HAYNES: And these are previously filed
8 on E-Docket?

9 MR. HUCKMAN: Yes. The exhibits are filed on
10 E-Docket in the same manner which Mr. Borden enters
11 them today. Therefore, we have not provided copies
12 to the court reporter.

13 JUDGE HAYNES: Staff Exhibits 6.0 and 10.0 are
14 admitted.

15 (Whereupon, Staff
16 Exhibit Nos. 6 and 10 were
17 admitted into evidence as
18 of this date.)

19 JUDGE HAYNES: Cross-examination?

20 MS. HUIZENGA: Thank you.

21

22

1 CROSS-EXAMINATION

2 BY

3 MS. HUIZENGA:

4 Q. Mr. Borden, I'm Karen Huizenga from
5 MidAmerican. I just have a few questions for you.

6 A. Okay.

7 Q. The firm supply standby service that the
8 Company's proposing, this is strictly for
9 transportation customers, is it not?

10 A. Yes, that's my understanding.

11 Q. Okay. So this -- essentially, this tariff
12 would be a competitive offering in the market for
13 transportation customers?

14 A. It'd be one of several options for a
15 transportation customer on the MidAmerican system.

16 Q. Right. And options would include those
17 from MidAmerican and from other suppliers?

18 A. Yes. Yes, they would.

19 Q. Okay. MidAmerican currently has a similar
20 tariff, but there are no customers currently taking
21 service under it, to your knowledge; is that
22 correct?

1 **A.** Yes, and I don't think there's been anyone
2 for several years on that tariff.

3 **Q.** Okay. Okay. And would I characterize your
4 concern correctly in saying that the -- you believe
5 the PGA rate adequately would compensate the
6 Company and the gas daily index may not be the best
7 proxy for the actual cost of gas MidAmerican would
8 use to provide this service?

9 **A.** That's one of the points that I make in my
10 testimony, yes.

11 **Q.** Okay. Thank you.

12 In your direct on Page 5, you state that
13 transportation customer removes the uncertainty
14 conserving its load by committing in advance to a
15 contracted level of company-owned gas to be
16 supplied under the tariff. That's correct;
17 correct?

18 **A.** Yes.

19 **Q.** Could you describe to me how the service
20 would work?

21 **A.** How the service would work?

22 **Q.** Right.

1 **A.** It would be provided pursuant to the terms
2 of the tariff.

3 The Company has -- the customer has to
4 contract with the Company for a specific level of
5 service. On a daily basis, that amount of usage
6 may or may not be equal to the maximum amount of
7 the contracted level of service.

8 **Q.** This being standby service, normally, would
9 the customer have a primary supplier other than
10 MidAmerican before?

11 **A.** They should. Otherwise, there's really no
12 reason to sign up for standby service.

13 **Q.** Correct.

14 If you were a customer, when would you
15 expect to use the standby service?

16 **A.** You would expect to use it when either --
17 well, you'd expect to use it when you either didn't
18 have access to your primary supplier or for some
19 other reason.

20 I don't know what all the reasons the
21 customer would use it.

22 **Q.** And when you have a contracted level, if

1 you were the customer, at what level would you set
2 that?

3 **A.** I don't know.

4 **Q.** Speaking as a customer that might lose his
5 primary supply --

6 **A.** Depends.

7 **Q.** -- would that --

8 **A.** It depends on what type of supply portfolio
9 they have.

10 **Q.** So you're saying that it could be used as
11 an incremental piece as well as a replacement?

12 **A.** Sure, but it doesn't look like anyone's
13 doing that.

14 **Q.** Okay. If a customer would lose its supply
15 from its supplier for a catastrophe or some problem
16 in the system, what type of notice would it
17 normally expect to have?

18 **A.** I don't know.

19 **Q.** Okay. Would you speculate?

20 **A.** No, I wouldn't speculate.

21 **Q.** Try?

22 **A.** We do that too much.

1 **Q.** Okay. If a customer would lose its supply
2 because of a catastrophe and turn to MidAmerican
3 for supply, would -- MidAmerican would have a very
4 short time therefore to procure supply; correct?

5 **A.** It's possible. And I think that's --
6 MidAmerican has designed the tariff to provide
7 service on short notice regardless of whether it
8 was a catastrophe or some other reason.

9 **Q.** Okay. So it's for short notice.
10 If it were to get it at short notice,
11 would you expect it to be at spot prices, either
12 the day about or intraday?

13 **A.** No, no, the Company is holding itself out
14 to provide access to its firm supplies,
15 company-owned supplies. Those are not -- those are
16 not necessarily spot market purchases.

17 **Q.** Okay. If --

18 **A.** In other words, the Company is holding
19 itself out to provide service to that customer
20 through the same supplies that they use for sales
21 customers. That portfolio can't be disaggregated.

22 **Q.** If firm supply is the supply that goes to

1 the customer rather than the source, would your
2 answer be different?

3 **A.** What do you mean by "the source"?

4 **Q.** Well, you're saying it comes from a level
5 of portfolio MidAmerican would carry normally; is
6 that -- is that -- am I characterizing your
7 testimony correctly?

8 **A.** I'm saying -- I guess I should say, to
9 clarify, the customer would be served in the same
10 manner as -- in which the Company would provide
11 service to a sales customer.

12 **Q.** Because it has one portfolio of gas?

13 **A.** The Company has one portfolio to provide
14 sales service.

15 **Q.** Okay. Okay. Let me go on.

16 You said the Company cannot disaggregate
17 its PGA supply. Do you agree that the Company can
18 schedule different amounts with different levels of
19 notice?

20 **A.** I don't understand what you mean by
21 schedule.

22 **Q.** Different pieces of portfolio, different

1 ways of purchasing.

2 Obviously, you don't -- you may buy some
3 under long contracts. You may buy some under short
4 contracts.

5 Would you assume the portfolio's made up
6 of various types?

7 **A.** Oh, yeah. Yes, the Company's portfolio is
8 made up of different types of supply contracts,
9 spot market purchases.

10 **Q.** And some are more expensive than others?

11 **A.** Yes.

12 **Q.** Okay. Would you assume that having no
13 notice or virtually no notice, a 24-hour notice in
14 advance, that the purchasing may require additional
15 late purchases?

16 **A.** It could, but that's the same for any
17 customer on their system. It doesn't matter
18 whether it's a standby customer or sales customer.

19 **Q.** Okay. Do the costs of maintaining the
20 supply flow through the PGA?

21 **A.** The costs for serving sales customers would
22 flow through the PGA, yes.

1 **Q.** Okay. And the costs and revenues for this
2 service would also flow through the PGA?

3 **A.** For firm standby? Yes, it's my
4 understanding they do.

5 **Q.** So that to the extent MidAmerican did have
6 to purchase spot on the market for these customers
7 and we would charge them at the PGA rate, is there
8 a chance the sales service customers would be
9 disadvantaged in that they would pick up that
10 piece?

11 **A.** I don't think that's likely.

12 **Q.** Why not?

13 **A.** Because I think you're providing -- I think
14 that possibility is very remote.

15 The Company is providing service to
16 these customers through the firm supplies that the
17 Company owns. Those are facilities and supplies
18 that are used to serve sales customers. It's
19 priced at a weighted average cost for everyone.

20 If you're getting at -- to the point
21 that under weighted average cost pricing, some
22 customers may be -- may be more advantaged than

1 others, that's true. That's true in all the rate
2 design and cost of service that we do.

3 Q. If it were up to MidAmerican to choose if
4 there were a chance of advantaging either its
5 transportation customers or its sales service
6 customers through the pricing of this particular
7 tariff, which would you expect MidAmerican to
8 choose to advantage?

9 A. I don't know. I don't know who they would
10 prefer.

11 Q. Okay.

12 A. I think from their testimony, the witness
13 may have revealed that they prefer serving sales
14 customers.

15 Q. Would the transportation customers have
16 other options for purchase that sales service
17 customers would not?

18 A. Not necessarily. If you're a commercial
19 customer or industrial customer on MidAmerican's
20 system, you can choose also to become a transport
21 customer.

22 If you're a residential customer, I

1 don't think you have that option at this point. So
2 for those customers, you probably have fewer
3 options.

4 Q. As they stand there that day as a sales
5 service customer or as a transportation customer,
6 which has the greater options?

7 A. Someone taking service under both --
8 someone taking service under the tariff; that's
9 what you're getting at?

10 Q. Hm-hmm. Correct.

11 A. I don't know. I mean, at that point, the
12 customer who's -- doesn't have a supply option is
13 utilizing a service that MidAmerican has contracted
14 to provide.

15 Q. Okay. On your rebuttal on Page 2. I
16 believe it's Line 32, starting there.

17 A. Okay.

18 Q. I believe you -- I believe what you're
19 doing here, if I am correct, is comparing
20 variability in actual daily usage -- you talk about
21 the variability in actual daily usage for a Rider 9
22 customer, but state there's variability in any

1 customer's daily usage; correct?

2 **A.** Yes, that --

3 **Q.** Okay.

4 **A.** Where exactly are you on the rebuttal?

5 **Q.** Page 2, Line 32 and onward.

6 **A.** Is that the question that starts "do you

7 agree with MEC's claim"?

8 **Q.** Yeah, starts with Line 32. Yeah. Correct.

9 **A.** Okay.

10 **Q.** Okay. For -- would you agree for a sales

11 service customer, MidAmerican has a reasonable idea

12 of the supply needed and the pipeline capacity

13 needed from MidAmerican day to day each day if we

14 pay attention; we have some idea?

15 **A.** Yes, but I agree that's also true for the

16 standby --

17 **Q.** Please answer the question, sir.

18 **A.** Yes.

19 **Q.** Thank you.

20 For a transportation customer, the same

21 idea -- we have the same idea for pipeline capacity

22 if we pay attention to what's going on and we have

1 an idea day-to-day how much pipeline capacity they
2 need; correct?

3 **A.** I would think that you would, yes.

4 **Q.** Okay. And there's a possibility, as you
5 mentioned, that the transportation customer may use
6 company-owned supply in some incremental amount
7 above what he gets from the supplier?

8 **A.** Yes.

9 **Q.** And he would get imbalance penalties?

10 **A.** Yes.

11 **Q.** And for that, you believe the gas daily
12 index is a good proxy for the cost of spot market
13 purchase?

14 **A.** Yes.

15 **Q.** Okay. And you would agree there's a
16 possibility of a spot market purchase at that
17 point?

18 **A.** That's a possibility, yes.

19 **Q.** Okay. Now, a standby customer has his own
20 supplier, wants to use the utility as a backstop.
21 If he loses supply from that supplier, he wants to
22 be able to take that whole level of supply from

1 MidAmerican the next day or even maybe that day.

2 So would you agree MidAmerican would
3 have no foreknowledge of when that customer may
4 call us up and say, Hey, I want to take my whole
5 load or very little?

6 **A.** I don't know if you would have no
7 foreknowledge.

8 You have a contract with a customer --
9 the reason why I'm saying this is because you have
10 a contract with a customer. You know who the
11 customer is. You know what their primary purpose
12 of using gas supply is. You seem to indicate in
13 the Company's witness testimony that they know what
14 type of supply portfolio they would use to serve
15 that customer.

16 I would say you would have some -- a
17 much more -- you would have more of an under- --
18 ability to predict that customer's usage --

19 **Q.** One more time.

20 **A.** -- company's claiming.

21 **Q.** One more time.

22 I asked if we would have foreknowledge

1 of when that customer...

2 **A.** I don't know if you would. If would you
3 forecast it --

4 **Q.** Thank you. Thank you.

5 **A.** -- you could.

6 **Q.** Thank you.

7 MR. HUCKMAN: I'd like to give him an
8 opportunity to answer the question.

9 JUDGE HAYNES: Proceed.

10 THE WITNESS: The Company can forecast the
11 probability of when that customer would use
12 service. It doesn't mean that they would know with
13 complete certainty when that customer would use
14 service, and the forecasts may be unreliable.

15 But there are means by which the Company
16 can address the uncertainty associated with using a
17 standby customer. I agree that there's
18 uncertainty. There may be quite a bit of
19 uncertainty, but there are means the Company can
20 use to address that and mitigate it somewhat.

21 BY MS. HUIZENGA:

22 **Q.** Although the incremental amount a

1 transportation customer may use from day-to-day
2 and, as you say, possibly every day, would be
3 better served by a gas daily index?

4 **A.** For a transportation customer, yes,
5 you're -- the Company is providing a different type
6 of service here. They're holding itself out to
7 provide firm supplies, and they're being
8 compensated through the full cost of the pipeline
9 capacity.

10 No transportation customers is required
11 to pay that amount of cost for service for the
12 Company. The Company is being compensated to
13 provide a greater level of service to this
14 customer. That's what the service is for.

15 **Q.** All right. Okay. Let's go to Rider 8 --

16 **A.** Okay.

17 **Q.** -- noncritical daily balancing, okay, of
18 customer-owned volumes.

19 Is it correct that the only change
20 MidAmerican proposed is to charge ten cents per
21 therm rather than one cent per therm for imbalances
22 between 20 and 30 percent?

1 **A.** Well, there is no 30 percent anymore and
2 that's the effect of it, yes.

3 **Q.** That's the --

4 **A.** That's right.

5 **Q.** Okay. Thank you.

6 If transporters are assessed that
7 additional amount, where does that revenue go?

8 **A.** That revenue's credited through the PGA.

9 **Q.** Okay. And so MidAmerican doesn't receive
10 extra revenue --

11 **A.** No, they don't.

12 **Q.** -- it just flows through?

13 **A.** There's no profit to MidAmerican from those
14 charges.

15 **Q.** And, otherwise, the Company is not
16 proposing a change, but you are proposing a change
17 to both the proposed tariff and the current
18 approved tariff; correct?

19 **A.** Yes, that's correct.

20 **Q.** Okay. You would -- tell me if I'm
21 incorrectly saying this.

22 **A.** No, you said that right before. So...

1 **Q.** You want transportation customer imbalances
2 that are not in the same direction as MidAmerican's
3 net system imbalance to get a pass, essentially, on
4 that imbalance charge; is that correct?

5 **A.** Yes. They wouldn't be assessed the
6 imbalance charge.

7 **Q.** Okay. And you would want that change on
8 the current approved -- Commission-approved tariff?

9 **A.** Yes.

10 **Q.** Okay. If there would be harm from that
11 imbalance -- and I believe there was considerable
12 testimony --

13 **A.** Back and forth.

14 **Q.** -- on that subject -- but just if there
15 would be harm from the imbalance and they were not
16 charged, where does the -- where does that get
17 recovered?

18 Where do the costs go?

19 **A.** There would -- if the -- if you're saying
20 that the an imbalance that's opposite the direction
21 of the Company causes the Company to incur some
22 type of cost, that -- and there is no associated

1 imbalance charge, then that cost has to be absorbed
2 by other customers.

3 Well, it's -- the cost is not offset by
4 the imbalance charge. We don't know whether the
5 imbalance charge would be sufficient to cover the
6 cost or not.

7 Q. But it would be made up by other customers,
8 if that were so?

9 A. Yeah, there wouldn't be no imbalance charge
10 to offset that.

11 Q. Okay. On your direct on Page 9, Line
12 190 -- find it so that I'm not telling you
13 something incorrect here.

14 A. Okay.

15 Q. I believe you're stating it's reasonable
16 for MidAmerican's daily balancing bandwidths and
17 charges to resemble those that MidAmerican faces on
18 NGPL?

19 A. Yes.

20 Q. Okay. When NGPL imposes penalties, does it
21 forgive individual imbalances in the opposite
22 direction of its net system imbalance?

1 **A.** I don't know whether they do or not.

2 **Q.** Okay.

3 **A.** But -- if you can point me to the tariff, I
4 would check it.

5 **Q.** Okay. Please do.

6 So would you accept it, subject to
7 check?

8 **A.** Subject to check, yes, I'd accept it.

9 MS. HUIZENGA: Thank you.

10 Thank you. That's all.

11 JUDGE HAYNES: Do you have questions for this
12 witness?

13 MR. KELTER: No.

14 MS. LUCAS: No.

15 JUDGE HAYNES: I have one question.

16 THE WITNESS: Okay.

17 EXAMINATION

18 BY

19 JUDGE HAYNES:

20 **Q.** On your rebuttal testimony, if I understand
21 your proposal correctly on Page 1, last line, Line
22 26, you say they would -- the Company would have

1 the option to either -- to use either the WACG or
2 the PGA rate.

3 How would this work? Would the tariff
4 allow the Company to decide which rate to use?

5 **A.** I think the Company would state in the
6 tariff which rate is being used. It would indicate
7 in Rider -- in Rider 9 that the tariff -- the rate
8 that's being used is the PGA or the weighted
9 average cost of gas.

10 **Q.** So the Company gets to pick?

11 **A.** Yes, I left that up to the Company.

12 There was some rebuttal testimony from
13 the Company about exactly which charge that they
14 were currently applying for supply under this
15 tariff, and I had use the term PGA in my direct and
16 it is the weighted average cost of gas that they're
17 actually using.

18 So if the Company feels that that's the
19 more accurate measure, then that is the one that
20 should be utilized.

21 JUDGE HAYNES: Thank you.

22 MR. HUCKMAN: May we have a moment to confer

1 with our witness about the possibility of redirect?

2 JUDGE HAYNES: Yes.

3 MR. HUCKMAN: Thank you.

4 (Recess taken.)

5 JUDGE HAYNES: Do you have any redirect?

6 MR. HUCKMAN: We do not have redirect for

7 Mr. Borden.

8 JUDGE HAYNES: Okay. Who's our next witness?

9 MR. KELTER: Mr. Ross, whose number we have

10 here, if you want to dial.

11 JUDGE HAYNES: Okay. This is Judge Haynes at

12 the ICC.

13 THE WITNESS: Yes. Welcome. Welcome into my

14 office.

15 JUDGE HAYNES: Okay. Welcome into the hearing

16 room.

17 THE WITNESS: Oh, thank you.

18 JUDGE HAYNES: Who has cross for him?

19 MS. HUIZENGA: I have a very short --

20 MR. HAYNES: You'll need this.

21 MS. HUIZENGA: Okay.

22 JUDGE HAYNES: Mr. Ross, will you raise your

1 right hand.

2 THE WITNESS: Yes.

3 (Witness sworn.)

4 (Whereupon, CUB

5 Exhibit Nos. 1 and 2 were

6 marked for identification

7 as of this date.)

8 JUDGE HAYNES: Thank you.

9 Do you have -- okay. Go ahead.

10 BRIAN ROSS,

11 called as a witness herein, having been first duly

12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY

15 MS. LUCAS:

16 Q. Mr. Ross, please state your full name and

17 business address for the record.

18 A. My name is Brian Ross. My business address

19 is 2634 Vincent Avenue, North, Minneapolis,

20 Minnesota 55411.

21 Q. Did you prepare written testimony for this

22 proceeding?

1 **A.** Yes, I did.

2 **Q.** Do you have before you what has been marked

3 as CUB Exhibit 1 for identification which is a

4 document titled Direct Testimony of Brian Ross?

5 **A.** I do.

6 **Q.** Does this document consist of 18 pages of

7 questions and answers?

8 **A.** Yes.

9 **Q.** Did you prepare this document for this

10 proceeding?

11 **A.** Yes, I did.

12 **Q.** Was it prepared by you or under your

13 supervision?

14 **A.** Yes, it was.

15 **Q.** And is it your understanding that this

16 document was filed by CUB on E-Docket on March 4th,

17 2002?

18 **A.** Yes.

19 **Q.** Do you have any changes or corrections to

20 your direct testimony?

21 **A.** I do not.

22 **Q.** And if I asked you the questions set forth

1 in your direct testimony today, would your answers
2 be the same?

3 **A.** Yes, they would.

4 **Q.** And do you also have before you what has
5 been marked as CUB Exhibit 2 for identification,
6 which is a document titled Rebuttal Testimony of
7 Brian Ross?

8 **A.** I do.

9 **Q.** Does this document consist of 15 pages of
10 questions and answers?

11 **A.** Yes.

12 **Q.** Did you prepare this document for this
13 proceeding?

14 **A.** Yes.

15 **Q.** And was it prepared by you or under your
16 supervision?

17 **A.** Yes, it was.

18 **Q.** And is it your understanding that this
19 document was filed by CUB on E-Docket on April
20 30th, 2002?

21 **A.** Yes.

22 **Q.** Do you have any changes or corrections to

1 your rebuttal testimony?

2 **A.** I have a few changes to the rebuttal
3 testimony.

4 MS. LUCAS: And I have -- we have not filed
5 changes on E-Docket yet, but I have printed out a
6 redlined version of the few typographical changes
7 that Mr. Ross has made.

8 How would you like us --

9 JUDGE HAYNES: Do you have three copies for the
10 court reporter?

11 MS. LUCAS: Yes, I do.

12 JUDGE HAYNES: Okay.

13 (Discussion off the record.)

14 BY MS. LUCAS:

15 **Q.** Okay. Can you tell us which revisions you
16 have on your rebuttal testimony?

17 **A.** Yes. I used some figures in the rebuttal
18 testimony that related to the cost of service study
19 results, and I used the original cost of service
20 study as opposed to the revised cost of service
21 study results that were provided by MidAmerican on
22 their rebuttal. And I will go through line-by-line

1 where those numbers are.

2 On Page 2 of (sic) Line 24, there's a
3 figure there of \$12.89. That should be \$12.32.
4 And on the same page on Line 34, the same figure,
5 \$12.89 should be \$12.32. On Page -- on Line 36,
6 the 39.86 should be 41.08.

7 **Q.** That's actually Line 37 --

8 **A.** Oh, 37? Oh. My lines must be off a
9 little bit --

10 **Q.** Okay.

11 **A.** -- on my printed version.

12 On Line -- maybe 39, there's a figure of
13 62 percent and that should be 63 percent. And then
14 on Page 4 in the question on Lines -- let's see, 75
15 and 76?

16 **Q.** Right.

17 **A.** Okay. There's a couple words that were
18 omitted in the question.

19 "Do you agree that not showing movement
20 towards the Staff or MEC cost of service study
21 results" is the new language other than -- omit the
22 word "calculated" and put in "cost of service study

1 results."

2 Q. Is there another change on that page,
3 Line 82?

4 A. Yes. Line 82, 39.86 should be changed to
5 41.08. On the following page, Page 5, Line 88, I
6 believe, there's a \$39 figure referenced there. It
7 should be \$41.

8 On Page 7, I'm not sure where we're at
9 on the line numbers now, but --

10 Q. 134?

11 A. 134, there's a figure for 62 percent. That
12 should be 63 percent.

13 Q. 136, that is.

14 A. Okay. That's 136.

15 And then on 138 and 137, would be \$39
16 and that should be changed to \$41.

17 Q. Is that everything?

18 A. I think there's one more change.

19 On Page 12, Lines -- well, I would guess
20 around Line 242.

21 JUDGE HAYNES: Page 11 on our copy.

22 MS. LUCAS: Page 11. Sorry.

1 THE WITNESS: Was it Page 11? Okay.

2 The sentence, "The only difference
3 between Mr. Rea's cost method and mine is that mine
4 recognizes the capacity costs associated with
5 distribution mains are declining costs." I added
6 the word "per unit of capacity" at that point.

7 BY MS. LUCAS:

8 Q. Okay. With those revisions, if I were to
9 ask you the questions set forth in your rebuttal
10 testimony today, would your answers be the same?

11 A. Yes, they would.

12 MS. LUCAS: Okay. I'd like at this time to
13 move for the admission of CUB Exhibits 1 and 2 and
14 tender this witness for cross-examination.

15 JUDGE HAYNES: Is there any objection to the
16 exhibits?

17 MS. HUIZENGA: No objection.

18 MR. REICHART: Staff has no objection.

19 JUDGE HAYNES: CUB Exhibits 1 and 2 are
20 admitted.

21

22

1 (Whereupon, CUB
2 Exhibit Nos. 1 and 2 were
3 admitted into evidence as
4 of this date.)
5 CROSS-EXAMINATION
6 BY
7 MS. HUIZENGA:
8 Q. Good morning, Mr. Ross. This is
9 Karen Huizenga with MidAmerican. How are you?
10 A. Okay. How are you?
11 Q. Just fine. I have a very, very short cross
12 for you.
13 A. All right.
14 Q. My questions will be short, anyway. We'll
15 try this.
16 A. Well, I'll try to make the answers short,
17 too.
18 Q. All right. In your rebuttal testimony --
19 and I hope I get my line numbers correct now, but
20 we'll try.
21 A. All right.
22 Q. In your rebuttal testimony beginning on

1 approximately Line 17, I'm going to try to
2 characterize what you say.

3 You discuss MidAmerican Witness Rea's
4 statement about the differences between your take
5 and the Company's take on the principle that should
6 guide rate design decisions; is that correct?

7 **A.** That's correct.

8 **Q.** Okay. To put it into context, in Mr. Rea's
9 rebuttal -- I'll give you that so you can look it
10 up to make sure I'm correct here -- Mr. Rea's
11 rebuttal, Lines 77 to 81, Mr. Rea had stated that
12 the Company believes the customer charge represents
13 a bundle of services every customer purchases and
14 uses in roughly equal amounts within a rate class
15 regardless of the amount of gas they use.

16 These services correspond to the
17 functions in our cost of service that we allocate
18 on some measure of customers and include service
19 lines, regulators, metering and customer service.

20 And you believe that although your
21 proposal is different, the principle is the same;
22 correct?

1 **A.** The principle that the cost of service
2 results provide some sort of a guide for rate
3 design and that these costs should be recovered
4 through the customer charge and volumetric charge,
5 if I'm understanding your characterization
6 correctly.

7 **Q.** Okay. On your rebuttal, Page 2, let's see
8 if I can get the right line. Approximately 23 on
9 the new one, both you and the customer -- and the
10 Company propose to recover direct cost costs and
11 overhead costs through the customer charges; is
12 that not --

13 **A.** That is correct.

14 **Q.** -- correct on your testimony?

15 But then you go on to say in that same
16 paragraph that you removed most overhead costs from
17 the Company cost of service showing a largely
18 nonoverhead customer charge for Rate 60?

19 **A.** Correct.

20 **Q.** Okay. Is the Company's proposed customer
21 charge for Rate 60 at or below the cost of service
22 as derived from its study?

1 **A.** The Company's proposed customer charge is
2 below the cost of service study results presented
3 by the Company.

4 **Q.** Okay.

5 **A.** About 97 percent of what the Company
6 presents.

7 **Q.** Okay. Thank you.

8 On Lines -- let's see. Rebuttal
9 testimony, Lines -- I believe it's around 154. Let
10 me see what I can find. 156 I believe it starts.

11 Could you explain why you believe the
12 largest increases in your proposal are borne by
13 those customers that have the most opportunity to
14 reduce bill impacts through their own actions?

15 **A.** In the -- in my proposal where the largest
16 rate increases that would be seen in rate -- to
17 Rate 60 customers would be borne by users who use
18 the most gas rather than users that don't
19 necessarily use a lot of gas.

20 In the Company's proposal and to some
21 extent in Staff's proposal, the -- a good portion
22 of the increase is seen in the customer charge.

1 Customers cannot through their own actions reduce
2 that. They can't lower their cost causation or
3 their billing impacts.

4 However, the -- if -- in answer to the
5 concern that there is a burden on heating
6 customers, these customers do have, as I state at
7 that point in my testimony, the opportunity to
8 reduce their own costs through energy efficiency or
9 similar -- or conservation measures.

10 MS. HUIZENGA: Okay. That's all I have.

11 JUDGE HAYNES: Does Staff have any cross?

12 MR. REICHART: No.

13 JUDGE HAYNES: Redirect?

14 MS. LUCAS: No.

15 MR. KELTER: I just want to check with our
16 witness real quickly.

17 JUDGE HAYNES: Okay. We'll take a break.

18 (Recess taken.)

19 MR. KELTER: We don't have anything.

20 JUDGE HAYNES: Okay. So we're done with

21 Mr. Ross.

22 Next is Mr. Rea?

1 THE WITNESS: Hm-hmm.

2 MS. HUIZENGA: Can we have just a couple

3 minutes for me to set myself back up here?

4 JUDGE HAYNES: Okay.

5 Please raise your right hand.

6 (Witness sworn.)

7 JUDGE HAYNES: Thank you.

8 CHARLES REA,

9 called as a witness herein, having been first duly

10 sworn, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY

13 MS. HUIZENGA:

14 Q. Mr. Rea, please state your name and

15 business address for the record.

16 A. My name is Charles B. Rea, R-e-a. My

17 business address is 106 East Second Street,

18 Davenport, Iowa 52801.

19 Q. By whom are you employed and in what

20 position?

21 A. I'm employed by MidAmerican Energy Company.

22 My title is manager, restructuring opportunity

1 analysis.

2 Q. Okay. Mr. Rea, do you have before you
3 MidAmerican Exhibit 8.0, which is the Direct
4 Testimony of Charles B. Rea consisting of 14 pages,
5 and with it MidAmerican's Exhibit 8.1, which is
6 Schedules 1 through 4 consisting of 25 pages;
7 Exhibit 8.2, 1 page; Exhibit 8.3, 1 page;
8 Exhibit 8.4, 1 page; and Exhibit 8.5, 1 page?

9 A. Yes, I do.

10 Q. Okay. Do you also have in front of you
11 MidAmerican Exhibit 15.0, the Rebuttal Testimony of
12 Charles B. Rea, consisting of 29 pages plus
13 Exhibit 15.1 of one page; Exhibit 15.2 of one page?

14 A. Yes, I do.

15 Q. Do you also have in front of you
16 MidAmerican Exhibit 19.0, which is the surrebuttal
17 testimony of Charles B. Rea consisting of 11 pages?

18 A. Yes, I do.

19 Q. Were these testimonies and exhibits
20 prepared by you for this proceeding?

21 A. Yes.

22 Q. Do you have any additions or corrections to

1 these testimonies and exhibits?

2 **A.** No, I don't.

3 **Q.** Are they true and correct, to the best of
4 your knowledge and belief?

5 **A.** Yes.

6 **Q.** If I ask you these questions today, would
7 your answers under oath be the same?

8 **A.** Yes.

9 MS. HUIZENGA: Okay. MidAmerican requests the
10 admission of MidAmerican Exhibits 8.0, 8.1, 8.2,
11 8.3, 8.4, 8.5, 15.0, 15.1, 15.2 and 19.0 into the
12 record.

13 JUDGE HAYNES: Any objection?

14 MR. KELTER: No, but I just want to clarify
15 something because our exhibits are marked -- the
16 exhibits that we received are marked a little bit
17 differently. They're marked CBR 1, CBR 2, 3, 4, 5.
18 So 8-point --

19 MS. HUIZENGA: Yes.

20 MR. KELTER: Okay.

21 MS. HUIZENGA: In fact, I'll even give you one
22 of these things.

1 JUDGE HAYNES: Okay. Mr. Rea's testimony and
2 attachments are admitted.

3 (Whereupon, MidAmerican
4 Exhibit Nos. 8, 15 and 19 were
5 admitted into evidence as
6 of this date.)

7 JUDGE HAYNES: This is as previously filed on
8 E-Docket, right?

9 MS. HUIZENGA: Correct, except for the
10 numbering.

11 JUDGE HAYNES: Cross?

12 MR. HUCKMAN: Yes, the Staff of the Illinois
13 Commerce Commission has a few questions for
14 Mr. Rea.

15 CROSS-EXAMINATION

16 BY

17 MR. HUCKMAN:

18 Q. Mr. Rea, my name is Andrew Huckman,
19 attorney for the Commerce Commission. I have a few
20 questions for you this morning.

21 I'd like to refer you to your
22 surrebuttal testimony, specifically, Pages 2 and

1 the beginning of Page 3 from about Line 20 to -- on
2 Page 2 to Line 46 of Page 3. My questions will
3 relate to this portion.

4 If you'd like a moment to review those
5 items, please do so.

6 **A.** Lines 20 through 46, you said?

7 **Q.** Line 20 on Page 2 through Line 46 on
8 Page 3; correct.

9 **A.** Okay.

10 **Q.** In this section, do you discuss your
11 understanding of why Mr. Luth of our Staff adjusted
12 customer class weightings for service and meter
13 installations?

14 **A.** Yes.

15 **Q.** At this time, I would like to show you the
16 Company's response to Staff Data Request ML-4 and
17 we will be marking this ICC Staff Cross Exhibit
18 Rea 1.0?

19 JUDGE HAYNES: Cross Exhibit 3?

20 MR. HUCKMAN: We're going to mark it Rea 1.0.

21 If you prefer, we can --

22 JUDGE HAYNES: I prefer, yes, if we number your

1 cross exhibits.

2 MR. HUCKMAN: Okay. This will be ICC Staff

3 Cross Exhibit 3.0.

4 JUDGE HAYNES: Thank you.

5 (Whereupon, Staff Cross

6 Exhibit No. 3 was

7 marked for identification

8 as of this date.)

9 BY MR. HUCKMAN:

10 Q. Before I approach, let me ask. Do you have

11 a copy of that data response available?

12 A. I don't.

13 MR. HUCKMAN: Do you have a copy?

14 JUDGE HAYNES: I have a copy.

15 MR. HUCKMAN: Great.

16 BY MR. HUCKMAN:

17 Q. If I understand this Cross Exhibit 3.0

18 correctly, you are determining customer class

19 weightings for service, meter and regulator

20 installation through a process by which you attempt

21 to calculate standard costs for various

22 installations; is that correct?

1 **A.** That's correct.

2 **Q.** Do you know how many service, meter and
3 regulator installations that you consider standard
4 are in place for each rate class?

5 **A.** I do not.

6 **Q.** In your testimony, do you discuss why you
7 eliminated the cost of certain installations from
8 the determination of standard costs?

9 **A.** That was not discussed in my testimony.

10 **Q.** I'd like to refer you to the fourth page of
11 our Cross Exhibit 3. There's a chart on this page
12 that is headed Cost of 100 Feet of Service.

13 Do you have that in front of you?

14 **A.** Yes.

15 **Q.** What was the cost per -- I'm sorry.

16 What was the cost per 100 feet of the
17 service installations that you eliminated from the
18 calculation of standard costs? It appears three
19 are marked.

20 **A.** Based on this page, the cost -- the costs
21 that were eliminated were for three-inch plastic
22 pipe, for three-quarter-inch steel pipe, for

1 two-inch steel pipe, and again, for two-inch steel
2 pipe, which is actually the same figure twice.

3 Q. So am I correct that the first of those
4 figures is \$979.97, the second of those figures is
5 \$4,785.51, and the third and I guess fourth of
6 those figures, since it's the same figure twice,
7 would be \$44,700?

8 A. Yes.

9 Q. Are the costs of these higher-cost
10 installations removed from the plant-in-service
11 accounts?

12 A. No.

13 Q. And had these higher-cost installations not
14 been eliminated, would the average cost of service
15 installations have been increased for the rate
16 classes that include these higher-cost
17 installations?

18 A. Can you repeat the question?

19 MR. HUCKMAN: I will have court reporter read
20 that back.

21 (Record read as requested.)

22 THE WITNESS: Are you referring to the average

1 cost that we would have used to calculate the
2 weightings or are you referring to the average cost
3 that would have been included in the rate base?

4 BY MR. HUCKMAN:

5 Q. The average cost that would have been
6 included in the weightings.

7 A. If these costs were not considered outliers
8 and removed from this analysis, the average current
9 costs for the customer class that these costs would
10 have been included would have been higher, yes.

11 Q. And the higher average cost-of-service
12 installation for a given rate class, would that
13 increase the weighting factor of services in that
14 rate class?

15 A. Yes.

16 Q. Now, the cost of installing service
17 includes the pipe from the distribution line to the
18 service point?

19 A. I believe that's correct, yes.

20 Q. And are there labor costs such as digging,
21 making connections involved in the service
22 installations?

1 **A.** There would be.

2 **Q.** Would the labor costs be influenced by
3 differences in the terrain where the digging takes
4 place; in other words, rocky terrain would be more
5 difficult to dig through or trees and roads
6 intersecting the installation path might complicate
7 the installation?

8 MS. HUIZENGA: Objection. I'm not quite sure
9 what that has to do with his testimony, to
10 speculate on rocky terrain had nothing to do with
11 his cost of service study.

12 MR. HUCKMAN: Mr. Rea is testifying or has
13 testified here in cross-examination to the
14 elimination of certain costs and we're exploring
15 the elimination of those costs and trying to
16 determine items that might be a factor in costs
17 that he eliminates.

18 MS. HUIZENGA: I believe Mr. Rea has already
19 stated that the reason for elimination was they
20 were outlier based on cost here.

21 MR. HUCKMAN: We're trying to determine the
22 sorts of factors that might determine when a

1 witness might choose to eliminate costs.

2 JUDGE HAYNES: Overruled. I'll -- if you can
3 answer it.

4 THE WITNESS: Can you give me the question back
5 again, please.

6 (Record read as requested.)

7 THE WITNESS: I would have to speculate, as a
8 person who is not an expert in installation of gas
9 distribution mains; but speculating, I would
10 presume that, yes, more difficult terrain would
11 require more time and more labor expense.

12 MR. HUCKMAN: Thank you.

13 That is the end of our questions.

14 JUDGE HAYNES: Do you have cross for this
15 witness?

16 MR. KELTER: Yes, just a couple questions.

17 CROSS-EXAMINATION

18 BY

19 MR. KELTER:

20 Q. Let's see. Mr. Rea, could you please turn
21 to your direct testimony at Page 13, specifically,
22 Line 266.

1 You say, "The weighting factor reflects
2 the relative installed cost of a new meter,
3 service, or regulator for a typical customer in
4 each customer group"; correct?

5 **A.** Yes.

6 **Q.** Could you please tell me how you're
7 defining a typical customer?

8 **A.** The typical customer is defined by what
9 their estimated use -- peak day usage would be.

10 **Q.** Actually, sticking -- or moving to your
11 surrebuttal.

12 At Page 6, Line 110 to 113, the end of
13 that statement you're starting there, you say,
14 "Unfortunately, Mr. Ross does not actually propose
15 a rate design for Rate 60, so his claim is
16 impossible to verify"; correct?

17 **A.** Yes.

18 **Q.** And did you examine how Mr. Ross arrived at
19 his conclusion?

20 Let me -- I'll -- let me ask another
21 question.

22 You say that his claim is impossible to

1 verify. Did you ask Mr. Ross for any of his work
2 papers or ask any interrogatories that would have
3 assisted you in discerning how he arrived at his
4 conclusion?

5 **A.** I did not submit a data request after
6 receiving his rebuttal testimony.

7 MR. KELTER: That's all the questions that I
8 have.

9 We did speak with MidAmerican counsel
10 before about submitting a data response as an
11 exhibit. Specifically, the data response is CUB
12 2.09, and it is marked CUB Rea Cross Exhibit 1.0.

13 (Whereupon, CUB Cross
14 Exhibit No. 1 was
15 marked for identification
16 as of this date.)

17 MR. KELTER: And we would move that this cross
18 Exhibit be admitted into the record.

19 JUDGE HAYNES: Any objection?

20 MS. HUIZENGA: No objections.

21 MR. KELTER: And I have copies --

22 JUDGE HAYNES: Staff?

1 MR. HUCKMAN: No objection.

2 MR. KELTER: -- for everyone.

3 JUDGE HAYNES: CUB Cross Exhibit 1 Witness Rea

4 is admitted.

5 (Whereupon, CUB Cross

6 Exhibit No. 1 was

7 admitted into evidence as

8 of this date.)

9 MR. HUCKMAN: Judge, it has also come to my

10 attention that I neglected to move for the

11 admission of Staff Cross Exhibit 3.0, which relates

12 to Mr. Rea's testimony.

13 If it would be appropriate to do so at

14 this time, I would like to move for the admission

15 of that exhibit as well.

16 JUDGE HAYNES: Did you provide copies to the

17 court reporter?

18 MR. HUCKMAN: I will provide them now.

19 JUDGE HAYNES: Okay. Is there any objection to

20 Staff Cross Exhibit 3 being admitted?

21 MS. HUIZENGA: No, your Honor.

22 JUDGE HAYNES: Okay. That's also admitted.

1 (Whereupon, Staff Cross
2 Exhibit No. 3 was
3 admitted into evidence as
4 of this date.)
5 JUDGE HAYNES: Do you have redirect?
6 MS. HUIZENGA: MidAmerican has no redirect.
7 Could we take a break?
8 JUDGE HAYNES: Sure. We'll take a short break.
9 (Recess taken.)
10 JUDGE HAYNES: So our next witness is
11 Mr. Schaefer?
12 MS. HUIZENGA: Yes.
13 JUDGE HAYNES: Please raise your right hand.
14 (Witness sworn.)
15 JUDGE HAYNES: Thank you.
16 GREGORY SCHAEFER,
17 called as a witness herein, having been first duly
18 sworn, was examined and testified as follows:
19 DIRECT EXAMINATION
20 BY
21 MR. HUIZENGA:
22 Q. Okay. Mr. Schaefer, please state your full

1 name and business address for the record.

2 **A.** My name is Gregory C. Schaefer. My
3 business address is MidAmerican Energy Company, 106
4 East Second Street, Davenport, Iowa 52081.

5 **Q.** By who are you employed and in what
6 position?

7 **A.** I'm employed by MidAmerican Energy Company
8 as manager of regulated pricing.

9 **Q.** Thank you.

10 Do you have before you MidAmerican
11 Exhibit 9.0, which is the direct testimony of
12 Gregory C. Schaefer consisting of 18 pages; and
13 with it, Exhibit 9.1, Schedules 1 through 3, which
14 are 11 pages; Exhibit 9.2, which is three pages;
15 Exhibit 9.3, which is three pages; and Exhibit 9.4,
16 which is one page?

17 **A.** Yes, I do.

18 **Q.** Do you also have in front of you
19 MidAmerican Exhibit 6.0 -- 16.0, I'm sorry, which
20 is the rebuttal testimony of Gregory C. Schaefer
21 consisting of 27 pages with a revised Exhibit 9.1,
22 one page; and Exhibit 16.1, three pages; and

1 Exhibit 16.2 of four pages, and Exhibit 16.3 of 1
2 page, and Exhibit 16.04 of one page, and
3 Exhibit 16.5 of one page, and Exhibit 16.6 of one
4 page?

5 A. Yes, I do.

6 Q. Do you also have in front of you
7 MidAmerican Exhibit 20.0, the surrebuttal testimony
8 of Gregory C. Schaefer consisting of 17 pages?

9 A. Yes, I do.

10 Q. Okay. Are these the testimonies and
11 exhibits prepared by you for this proceeding?

12 A. Yes, they are.

13 Q. Do you have any additions or corrections to
14 these testimonies and exhibits?

15 A. No, I do not.

16 Q. Are they true and correct, to the best of
17 your knowledge and belief?

18 A. Yes, they are.

19 Q. If I ask you the questions today, would
20 your answers under oath be the same?

21 A. Yes, they would.

22 MS. HUIZENGA: MidAmerican moves the admission

1 of MidAmerican Exhibits 9.0, 9.1, 9.2, 9.3, 9.04,
2 16.0, revised Exhibit 9.1, Exhibit 16.1,
3 Exhibit 16.2, 16.3, 16.4, 16.5, 16.6 and
4 Exhibit 20.0.

5 JUDGE HAYNES: Any objection?

6 MR. REICHART: No objection.

7 MS. LUCAS: No objection.

8 JUDGE HAYNES: They're admitted as -- and are
9 previously filed on E-Docket?

10 MS. HUIZENGA: Yes, they are.

11 (Whereupon, MidAmerican
12 Exhibit Nos. 9, 9-R, 16 and 20
13 were admitted into evidence as
14 of this date.)

15 JUDGE HAYNES: Cross.

16 MR. REICHART: Staff has some cross questions.

17 CROSS-EXAMINATION

18 BY

19 MR. REICHART:

20 Q. Good afternoon, Mr. Schaefer.

21 A. Good afternoon.

22 Q. My name is John Reichart. I represent the

1 Staff and I just have a few questions for you
2 concerning your testimony.

3 Under your rate design proposals, a
4 transportation customer would be charged an
5 administrative charge and a metering charge; is
6 that correct?

7 **A.** That's correct.

8 **Q.** And the theory behind the transportation
9 administrative charge and metering charge is that
10 transportation customers cause additional
11 administrative and metering costs to MEC that are
12 not caused by sales customers; is that correct?

13 **A.** That's correct.

14 **Q.** So under your rate design proposal, a sales
15 customer would not be charged an administrative
16 charge and a metering charge; correct?

17 **A.** They would not be charged an incremental
18 amount beyond what would already be reflected in
19 their customer charge for customer service and
20 billing; that's correct.

21 **Q.** But nothing in addition to the basic
22 customer charge?

1 **A.** That's correct.

2 **Q.** Nothing specifically titled administrative
3 charge or metering charge?

4 **A.** That's correct, beyond what's already in
5 the customer charge for those reasons.

6 **Q.** The fundamental difference between a sales
7 gas customer and a transportation gas customer is
8 that MEC purchases gas for a sales customer while a
9 transportation customer purchases its own gas; is
10 that correct?

11 **A.** That's correct.

12 **Q.** And were there any costs to MEC associated
13 with purchasing gas supplies on behalf of sales
14 customers?

15 **A.** Yes, there are.

16 **Q.** And those costs are to be recovered through
17 rates established in this docket; correct?

18 **A.** Yes.

19 **Q.** And are not to be recovered through PGA; is
20 that correct?

21 **A.** Yes. Only the cost of the gas itself would
22 be recovered through the PGA.

1 **Q.** Thank you.

2 Under your rate design proposals, a
3 transportation customer would pay the same
4 distribution energy charge as the sales customer in
5 the same rate class; is that correct?

6 **A.** Yes. That's true.

7 **Q.** And, additionally, under your rate design
8 proposals, a transportation customer would pay the
9 same customer charge as a sales customer in the
10 same rate class; is that correct?

11 **A.** Yes, that's true.

12 MR. REICHART: Thank you.

13 That's all we have.

14 JUDGE HAYNES: Do you have cross?

15 MS. LUCAS: Yes.

16 CROSS-EXAMINATION

17 BY

18 MS. LUCAS:

19 **Q.** Good afternoon, Mr. Schaefer. I'm Julie
20 Lucas with the Citizens Utility Board.

21 I'm going to start off at Page 5 of your
22 surrebuttal testimony, Lines 84 and 92. It's

1 toward the top of the page.

2 **A.** Yes.

3 **Q.** And there, you twice describe the

4 MidAmerican's cost of service study as showing the

5 class average customer charge for Rate 70; correct?

6 **A.** Yes, I do.

7 **Q.** Do you also agree that Rate 60 customer

8 charge shown in the MidAmerican cost of service

9 study is the class average?

10 **A.** Yes, I do. Although, for Rate 60, I would

11 think the class -- there are a few meters that vary

12 from the class average as opposed to Rate 70 where

13 there is a broader disparity in the actual metering

14 costs for the class average.

15 **Q.** Okay. And is it true that the customer

16 costs calculated in MidAmerican's cost of service

17 study for each rate class are in every case a class

18 average?

19 **A.** Yes, that's true.

20 **Q.** Okay. In the same page, you state at Lines

21 91 to 93 that, "MidAmerican proposed a customer

22 charge less than that justified for the class

1 average because smaller Rate 70 customers impose
2 lower customer-related costs on the system than do
3 Rate 70 -- than do average Rate 70 customers";
4 correct?

5 **A.** Yes.

6 **Q.** Would you agree that if a large number of
7 Rate 70 customers impose lower customer-related
8 costs on the system than shown in the Rate 70 class
9 average, then there must be a number of Rate 70
10 customers who are imposing customer-related costs
11 on the system greater than the Rate 70 class
12 average?

13 **A.** Yes.

14 **Q.** Would you also agree that Rate 70 customers
15 who impose greater-than-class-average,
16 customer-related costs on the system would, under
17 your proposed rate design, pay the same
18 \$15-per-month customer charge as those customers
19 imposing lower customer-related costs on the
20 system?

21 **A.** If I might back up, I believe you said a
22 \$15 customer charge for Rate 70, and I believe

1 Staff and Company have -- or at least the Company
2 has not objected to Staff's proposed \$19.

3 Q. Okay.

4 A. But I don't think that was the heart of
5 your question.

6 Q. Correct. Right.

7 A. So could I have the question again?

8 Q. I'm going to amend it to state \$19.

9 Would you like me to reask it?

10 A. Could you, please.

11 Q. Sure. Would you agree that Rate 70
12 customers who impose greater-than-class-average,
13 customer-related costs on the system will, under
14 your proposed rate design, pay the same, say,
15 \$19-a-month customer charge as those customers
16 imposing lower customer-related costs on the
17 system?

18 A. Yes. The customer charge would be the same
19 and the energy charge is somewhat higher to offset
20 that.

21 Q. Okay. If a Rate 70 customer requires a
22 more substantial meter or service line than the

1 average, has the Company determined how such
2 changes affect the way customer costs are imposed
3 on the system?

4 **A.** Could I hear that again, please.

5 **Q.** Sure. If a Rate 70 customer requires a
6 more substantial meter or service line than the
7 average, has the Company determined how such
8 changes affect the way a customer costs are imposed
9 on the system?

10 **A.** The way customer costs are imposed or
11 system or the way customer charges are charged
12 through rates?

13 **Q.** Have you quantified the difference among
14 Rate 70 customers and how they impose customer
15 costs on the system?

16 **A.** Corporately, we would know the cost to
17 install a meter. I don't personally have those
18 here. So if you're asking --

19 **Q.** Have you done that quantification?

20 **A.** I have personally not, no.

21 **Q.** Okay. Okay. Same page of your surrebuttal
22 testimony, Page 5, Lines 90 to 91, you describe how

1 some Rate 70 customers require less substantial
2 service lines, meters, regulators, et cetera, than
3 other Rate 70 customers; correct?

4 **A.** Yes.

5 **Q.** Okay. By substantial, do you mean that
6 some service lines, meters and regulators are
7 different sizes or capacities, and the costs to the
8 Company grows as the size or capacity increases?

9 **A.** Yes.

10 **Q.** Okay. Now, I'd like to ask a question
11 regarding the different customer-related equipment
12 needs with rate -- within Rate 70.

13 Did the Company identify the kinds of
14 service lines and the costs associated with these
15 service lines used by Rate 70 customers in order to
16 arrive at a class average cost?

17 **A.** I did not develop the class average cost;
18 that is, I did not do the cost of service study.

19 **Q.** Right. Did -- are you aware if the cost of
20 service study did identify those things, the kinds
21 of service lines and the costs associated with
22 those service lines?

1 **A.** I couldn't testify to how the --

2 **Q.** Okay. I'll withdraw that question.

3 Do you agree, subject to check, that the
4 Company's cost of service study calculated net rate
5 base identified with services to be 9.7 million?

6 **A.** That was net rate base for services?

7 **Q.** Right.

8 **A.** Yes, subject to check.

9 **Q.** Okay. And do you agree that the Company's
10 cost of service study calculated a net rate base
11 identified with meters to be 4.7 million?

12 **A.** Yes, subject to check.

13 **Q.** Okay. And do you agree that the Company's
14 cost of service study calculated net rate base
15 identified with regulators to be .8 million or
16 800,000?

17 **A.** Yes, subject to check.

18 **Q.** Okay. Do you also agree that the
19 MidAmerican cost of service study allocates costs
20 associated with the rate base for services, meters
21 and regulators on the basis of a weighted customer
22 allocator?

1 **A.** Yes.

2 **Q.** Do you agree that the MidAmerican cost of
3 service study does not identify each rate class's
4 portion of rate base for services, meters and
5 regulators by summing the original equipment costs
6 for each customer in the rate class?

7 **A.** I did not perform the cost of service
8 study. I would not feel comfortable testifying
9 to -- providing an answer to the question.

10 **Q.** Okay. Do you agree, subject to check, that
11 your proposed customer charge for Rate 70 is 37
12 percent of the customer costs identified in the
13 cost of service study, the Company's cost of
14 service study, which -- oh, I'm sorry.

15 And that would be using the \$15 original
16 proposal. \$15 is 37 percent of 41.08, which was
17 the customer costs that was identified in the cost
18 of service study.

19 **A.** The Company has accepted Staff's
20 recommended customer charge of \$19 and --

21 **Q.** Do you agree that your original proposal of
22 \$15 is approximately 37 percent of --

1 **A.** Of \$41?

2 **Q.** -- 41.08, subject to check?

3 **A.** Yes.

4 **Q.** Okay. And do you agree, subject to check,
5 also that your proposed Rate 60 customer charge of
6 \$12 is 97 percent of the customer costs identified
7 in the Company's cost of service study?

8 **A.** Yes, subject to check.

9 **Q.** And do you believe that the allocators used
10 in the Company's cost of service study to assign
11 the equipment costs of service pipes, meters and
12 regulators to each class are fair representations
13 of the customer costs imposed by each rate class on
14 the system?

15 **A.** I support the Company's cost of service --
16 I agree with the cost of service study, but I did
17 not run the cost of service study and can't testify
18 to how it was done.

19 **MS. LUCAS:** Okay. That's it. That's all we
20 have.

21 **JUDGE HAYNES:** Redirect?

22 **MS. HUIZENGA:** No redirect.

1 JUDGE HAYNES: Thank you.

2 THE WITNESS: Thank you.

3 JUDGE HAYNES: Staff Witness Luth.

4 MR. REICHART: Yes.

5 (Whereupon, Staff

6 Exhibit Nos. 5, 9 and 12 were

7 marked for identification

8 as of this date.)

9 JUDGE HAYNES: Please raise your right hand.

10 (Witness sworn.)

11 JUDGE HAYNES: Thank you.

12 MICHAEL LUTH,

13 called as a witness herein, having been first duly

14 sworn, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY

17 MR. REICHART:

18 Q. Good afternoon, Mr. Luth.

19 A. Good afternoon.

20 Q. Would you state your full name for the

21 record.

22 A. It's Mike Luth.

1 **Q.** And by whom are you employed?

2 **A.** The Illinois Commerce Commission, rates
3 department.

4 **Q.** What is your business address?

5 **A.** 527 East Capitol Avenue, Springfield,
6 Illinois 62701.

7 **Q.** Thank you.

8 I'd like to call your attention to a
9 document that has previously been marked for
10 identification purposes as ICC Staff Exhibit 5.0,
11 titled Direct Testimony of Mike Luth. It consists
12 of 21 typewritten pages of narrative testimony and
13 five attached schedules.

14 Are you familiar with this document?

15 **A.** Yes.

16 **Q.** Was this document prepared by you or under
17 your supervision?

18 **A.** Yes, it was.

19 **Q.** Do you have any corrections or revisions to
20 make to this document?

21 **A.** I have an addition to make that is referred
22 to in the testimony, but, unfortunately, in the

1 prefiled version I didn't include.

2 Page 4 of Schedule 2. I've distributed
3 a copy of that Page 4, Schedule 2 to, I believe,
4 the representatives of the interested parties here.

5 **Q.** Okay.

6 **A.** It -- I don't believe that it was discussed
7 in any of the testimony specifically; but for
8 complete an accurate version of my testimony, I
9 included it here.

10 **Q.** Do you have any other corrections to make
11 to this direct testimony?

12 **A.** Not to the direct, no.

13 **Q.** Next, I'd like to call your attention to
14 the second document that has previously been marked
15 as ICC Staff Exhibit 9.0 entitled Rebuttal
16 Testimony of Mike Luth consisting of 15 typewritten
17 pages of narrative and five attached schedules.

18 Are you familiar with this document?

19 **A.** Yes.

20 **Q.** And was this document prepared by you or
21 under your supervision?

22 **A.** Yes.

1 **Q.** Do you have any corrections or revisions to
2 make to this document?

3 **A.** I had a change to a reference on Page 1 of
4 Schedule 1.

5 On the short note at the bottom of that
6 page, I referred to in the prefiled version Page 4
7 and it should be a reference to Page 3, and Page 3
8 refers to Schedule 1.

9 **Q.** Do you have any other revisions to make?

10 **A.** No.

11 **Q.** And were the revisions you just referred to
12 for both your rebuttal testimony and direct
13 testimony reflected in the documents provided to
14 the court reporter today?

15 **A.** Yes.

16 **Q.** Mr. Luth, is the information contained in
17 the -- your direct and rebuttal testimony true and
18 correct, to the best of your knowledge?

19 **A.** Yes.

20 **Q.** And if I were to ask you the questions
21 contained in your direct and rebuttal testimony,
22 would your answers be the same today?

1 **A.** Yes.

2 **Q.** I'd next like to refer you to a document
3 that has been marked as ICC Staff Exhibit 12.0,
4 titled Supplemental Rebuttal Testimony of Mike
5 Luth. This is a document that consists of two
6 typewritten pages of narrative and one attached
7 schedule.

8 Was this document prepared by you or
9 under your supervision?

10 **A.** Yes.

11 **Q.** Do you have any corrections or changes to
12 make to this document?

13 **A.** No.

14 **Q.** Is the information contained in this
15 document true and correct, to the best of your
16 knowledge?

17 **A.** Yes.

18 **Q.** And is it your understanding that this
19 document was, in fact, filed on the Commission's
20 E-Docket system previously?

21 **A.** It's my understanding, yes.

22 MR. REICHART: Okay. Your Honor, subject to

1 cross-examination, Staff would now move for the
2 admission of ICC Staff Exhibits 5.0, 9.0 and 12.0.

3 JUDGE HAYNES: Any objection?

4 MS. HUIZENGA: No objection, your Honor.

5 MS. LUCAS: No objection.

6 JUDGE HAYNES: Staff Exhibits 5.0 and 9.0 are
7 admitted and Staff Exhibit 12.0 as previously filed
8 on E-Docket is admitted.

9 (Whereupon, Staff
10 Exhibit Nos. 5, 9 and 12 was
11 admitted into evidence as
12 of this date.)

13 MR. REICHART: Thank you.

14 We tender this witness for
15 cross-examination.

16 MS. HUIZENGA: Thank you.

17 CROSS-EXAMINATION

18 BY

19 MR. HUIZENGA:

20 **Q.** Mr. Luth, I'm Karen Huizenga with
21 MidAmerican. Good afternoon.

22 **A.** Good afternoon.

1 **Q.** Okay. First, I'd like you to look at your
2 supplemental rebuttal testimony. Let's look at
3 Schedule 1, Page 7 of 7.

4 On that, can you describe generally the
5 types of items included in the \$619,409 amount? I
6 believe -- let's see --

7 **A.** It's in the lower section of that schedule
8 there. I see where you're referring.

9 **Q.** Yeah. Okay. That's very light on my copy.
10 I'm sorry.

11 **A.** Well, those are revenues that the Company
12 collects under tariff that are not being adjusted
13 in this proceeding, generally. I think that'd be a
14 general description.

15 Perhaps the primary example of that is
16 delivery -- gas delivery service charges and
17 customer charges to the Cordova Energy Center.

18 **Q.** Okay.

19 **A.** But there are other revenues included there
20 as well.

21 **Q.** Would that include both revenue adjustments
22 for the Cordova Energy Center or would that include

1 your Cordova revenue adjustment?

2 **A.** Yes.

3 **Q.** Okay. So it is included in that 619.

4 Was the 82,000 Cordova adjustment
5 included in the 19,037,000 amount of Staff
6 Exhibit 11.0, Schedule 11.1? I believe that's
7 Ms. Hathhorn's.

8 **A.** Well, the 19,037,000 that Ms. Hathhorn had
9 accumulated through the testimony of all Staff
10 witnesses is the revenue requirement for
11 gas-related rate base and operating expenses in
12 full.

13 **Q.** Okay.

14 **A.** And the 80 -- \$81,000 Cordova adjustment
15 that you're referring to, at least in my opinion,
16 refers to revenues that the Company is collecting
17 for the use of that gas distribution system from
18 Cordova.

19 So, therefore, it's not really included
20 in that \$19,037,000 total that Ms. Hathhorn
21 accumulated and testified to, but it does represent
22 a source of revenues to be applied toward the

1 recovery of that \$19,037,000.

2 **Q.** Okay. Let's go to your direct testimony.
3 And we're talking about calculation of class peak
4 demands for purpose of allocating the demand
5 portion of mains cost.

6 And I believe -- I believe we had some
7 discussion back and forth between the witnesses
8 whereby it was noted that the Company's gas
9 distribution system is built to design day
10 criteria, and the Company's definition of a design
11 day is 90 heating degrees days.

12 Is that not your understanding of the
13 testimony?

14 **A.** That's my understanding of the Company's
15 definition of design day peak.

16 **Q.** And that the Company's distribution system
17 is built to particular criteria?

18 **A.** I can't say one way or the other whether it
19 is built to that peak.

20 For the purposes of determining system
21 peak for the measurement of peak demand, I accepted
22 the Company's definition there of 90 heating degree

1 days.

2 **Q.** Rather than using the Company's design day
3 criteria to estimate class peak demand for purposes
4 of allocating demand-related costs to rate class,
5 you chose instead to use all-time high temperature
6 experience, is that correct, on the Illinois
7 system -- Illinois part of MidAmerican system?

8 **A.** Instead of high temperature, I think I say
9 heating degree days because it's actually the
10 all-time low.

11 **Q.** Okay. That's -- okay. I understand what
12 you're saying.

13 If one uses a temperature rather than
14 what MidAmerican said they used as criteria, which
15 is a particular point, could that vary then from
16 rate case to rate case as an allocator if the
17 temperature itself varies?

18 In other words, it's not a constant
19 allocator.

20 **A.** The likelihood of that varying by -- to any
21 significant degree, in my opinion, is small, given
22 that the all-time low covers several decades of

1 measurements at the Moline measurement -- weather
2 measurement station, National Weather Service.

3 There is a possibility --

4 **Q.** But there is a possibility --

5 **A.** -- that it could change.

6 **Q.** Okay. And your rebuttal testimony notes
7 that the all-time record HTD for the Moline,
8 Illinois station occurred on February 3rd, 1996?

9 **A.** That's correct.

10 **Q.** And how did you determine that?

11 **A.** I made a phone call to the Moline
12 measurement station. A representative there
13 fielded my question and gave me the answer.

14 **Q.** Okay. On your direct, Page 4, Lines 63 to
15 67 -- okay. Do you have that?

16 **A.** 64 to 67?

17 **Q.** Yes. 63, approximately.

18 **A.** Okay.

19 **Q.** In -- you're referring to Docket 99-0534,
20 and that was MidAmerican's last natural gas rate
21 case; is that correct?

22 **A.** That's correct.

1 **Q.** Okay. In that rate case, did Staff and
2 intervenors have the same opportunity to explore
3 MidAmerican's case as they do in this case?

4 **A.** Yes.

5 **Q.** Okay. And then a decision was made.

6 In this case, Staff and intervenors had
7 an opportunity for discovery for the basis of the
8 Company's current proposal; is that correct?

9 **A.** Yes.

10 **Q.** Okay. So that a decision on the evidence
11 in this docket can be made, correct; is that the
12 purpose of the proceeding?

13 **A.** Yes.

14 **Q.** Okay. And your concern on these -- this
15 area that I mentioned is that you cannot now engage
16 in additional discovery on the '99 case?

17 **A.** I'd like to have that question one more
18 time, please.

19 MS. HUIZENGA: Okay. Could you read it back,
20 please.

21 (Record read as requested.)

22 THE WITNESS: I don't think that's an accurate

1 characterization of my concerns in this docket, no.

2 BY MS. HUIZENGA:

3 Q. And you stated that MidAmerican was unable
4 to provide material from the last docket in that
5 passage; correct? Lines 64 to 66.

6 A. That is said there, yes.

7 Q. And your conclusion was -- could you read
8 that for us?

9 A. Certainly. The following sentence says, "I
10 find the Company's inability to provide these
11 materials problematic."

12 Q. Thank you.

13 Now, the study the Company developed was
14 an embedded cost of service analysis; correct?

15 A. Yes.

16 Q. The allocation factor, however, for meter
17 service and regulators that the Company used was
18 based on current cost information, correct, rather
19 than historical embedded cost data?

20 A. Well, I think my concerns and testimony
21 have been discussed that I view the current cost
22 information as being partial current cost

1 information is what -- instead of full current cost
2 information, but it is based upon some
3 installations in the year 2001, according to the
4 Company's reply to Staff Data Request ML-4, which
5 is also cross exhibit in this docket.

6 Q. But this is not a -- we are not attempting
7 to find an embedded cost, but simply to use the
8 result of this as an allocator; is that correct?

9 A. That's what the Company's proposing, yes.

10 Q. Okay. When you said that -- let's see.
11 Let me find it. Under rebuttal, Page 9, Lines 179
12 to 181.

13 While not describing his use of current
14 empirical data as a marginal cost concept, it is
15 nonetheless a marginal cost concept that does not
16 have a place in determining the weighting of the
17 embedded plant in service cost installed in the
18 past that will be used for the foreseeable future.

19 And I read that correctly; correct?

20 A. Yes.

21 Q. Okay. When you said that, were you aware
22 that the Commission had recently accepted this

1 method to derive class allocation factors in
2 MidAmerican's delivery service tariff rate case
3 just concluded?

4 **A.** You know, at the time of writing that, I
5 can't say that I was aware of it, no.

6 **Q.** Okay. If a company does not have embedded
7 cost data, it does have to use some sort of a proxy
8 for allocation purposes; correct?

9 **A.** Yes.

10 **Q.** Okay. Is it your opinion that if the
11 Company (sic) accepts or approves a cost of service
12 study in this docket, the Commission approves all
13 of the data used in the cost of service analysis?

14 **A.** I think that would be a reasonable
15 conclusion, yes.

16 The Commission does not make specific
17 findings on each line item in the cost of service
18 study; but as a whole, the Commission accepts the
19 inputs to that cost of service study.

20 **Q.** Okay. And given that, what would be --
21 given your experience, what would you consider a
22 reasonable length of time beyond which weightings

1 is approved by the Commission in one case may not
2 be disapproved for new weightings to be used?

3 **A.** Well, that's a difficult concept to
4 speculate on. Really, the Commission's making the
5 decision on that if it is raised as a concern.

6 I think that a reasonable period depends
7 upon the relative changes in those weightings as
8 well as the length of time between dockets.

9 MS. HUIZENGA: Okay. No more questions.

10 THE WITNESS: Thank you.

11 JUDGE HAYNES: Do you have cross for this
12 witness?

13 MS. LUCAS: No.

14 JUDGE HAYNES: I just have one question about
15 your -- well, about the customer charge for
16 Rate 60.

17 EXAMINATION

18 BY

19 JUDGE HAYNES:

20 **Q.** Should overhead -- in your opinion, should
21 overhead be included in the customer charge?

22 I guess -- sorry. Go ahead if you have

1 an answer.

2 **A.** An allocated portion of overhead should be
3 included in the customer charge, yes. I believe
4 that is the result of my testimony.

5 **Q.** And with respect to CUB Witness Ross's
6 approach, would you characterize that as a minimum
7 system approach?

8 **A.** No, because my understanding of the minimum
9 system approach is that the minimum distribution
10 system that is determined to be necessary to be in
11 place to serve minimal needs is -- which includes
12 plant in service and O&M, operating and maintenance
13 expenses, those costs are included in the customer
14 charge and I don't think that Mr. Ross is including
15 those costs, in other words the minimum system, in
16 his proposed customer charge.

17 Company Witness Rea makes an analogy
18 between the minimum system approach and Mr. Ross's
19 approach to rate design and cost of service, and
20 there is some merit in his analogy in that Mr. Ross
21 wishes to determine peak-related costs as the
22 additional costs necessary to install larger pipe

1 to serve larger demand. And to that degree, the
2 comparison to the minimum system approach is valid;
3 but it's not a complete comparison because of the
4 rate design concepts that I discussed earlier.

5 JUDGE HAYNES: Thank you.

6 THE WITNESS: I hope I'm clear.

7 JUDGE HAYNES: Redirect?

8 MR. REICHART: Can I have one moment to confer?

9 JUDGE HAYNES: Of course.

10 (Recess taken.)

11 JUDGE HAYNES: Do you have any redirect for the
12 witness?

13 MR. REICHART: Staff does not.

14 JUDGE HAYNES: Thank you.

15 I think the only thing we have left to
16 discuss is a briefing schedule, so we'll go off the
17 record for that.

18 (Recess taken.)

19 JUDGE HAYNES: We've had a discussion about a
20 briefing schedule.

21 So the initial post-trial briefs will be
22 due June 13th.

1 Reply briefs will be due June 27th, and
2 draft orders will be due July 1st.

3 And, hopefully, the proposed -- my
4 proposed order will be out July 12th with briefs on
5 exceptions due July 25th and reply briefs on
6 exceptions due August 8th; but those could change
7 if my proposed order comes out on a different date.

8 Anything else we need to add for the
9 record?

10 Okay. The record's marked heard and
11 taken.

12 MR. HUCKMAN: Thank you.

13 HEARD AND TAKEN. . . .

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